

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Chief Financial Officer**

Natwar M. Gandhi  
Chief Financial Officer



**MEMORANDUM**

**TO:** The Honorable Linda W. Cropp  
Chairman, Council of the District of Columbia

**FROM:** Natwar M. Gandhi  
Chief Financial Officer

**DATE:** May 27, 2003

**SUBJECT:** Fiscal Impact Statement: "D.C. Preparatory Academy Public Charter School Tax Abatement Act of 2003"

**REFERENCE:** Bill 15-194 as Introduced

---

**Conclusion**

Funds are not sufficient in the FY 2003 budget and the proposed FY 2004 through FY 2007 budget and financial plan as agreed to by the Mayor and the Council of the District of Columbia (Council). **The proposed legislation will result in foregone real property tax revenue, thus reducing the local General Fund. The proposed legislation will result in unbudgeted costs of approximately \$7,000 from foregone revenue in FY 2003 and \$37,500 in FY 2003 through FY 2007.**

**Background**

The proposed legislation approves a real property tax exemption for property located in Square 3636, Lot 0807 located at 707 Edgewood Street, N.E. The property is to be used, leased and occupied by the D.C. Preparatory Academy Public Charter School. In addition, the proposed legislation foregoes all real property taxation, fees, interest and penalties on the subject property for a period beginning December 18, 2002. The occupants would be entitled to a refund of all amounts paid for real property taxes assessed beginning on that date.

**Financial Plan Impact**

Funds are not sufficient in the FY 2003 budget and the proposed FY 2004 through FY 2007 budget and financial plan as agreed to by the Mayor and the Council. The D.C. Preparatory Academy Public Charter School has not petitioned for real property tax

exemption with the Office of Tax and Revenue (OTR). The property is currently assessed at \$378,600 and would result in real property taxation of \$7,004 in TY 2003. The following table represents the approximate foregone revenue and exempted taxation as a result of implementing the proposed legislation for the entire property.

Revenue Impact to the Financial Plan					
(\$ in 000s)					
FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	TOTAL
(\$7.0)	(\$7.2)	(\$7.5)	(\$7.8)	(\$8.0)	(\$37.5)

There are no legal instruments recorded with OTR for the referenced property on or after December 18, 2002. Provisions of the proposed legislation would not result in a refund of Deed Recordation or Deed Transfer taxes. If the referenced lease is recorded at some time in the future, an exemption of 1.5 percent of the capitalized lease value would occur. OTR does not have all the information required to calculate an exemption of this type. Further clarification on these matters will be required.

The proposed legislation will set a tax exemption precedent for government-occupied lease space property that the federal and District governments currently do not enjoy. The ramifications of that precedent cannot be estimated at this time, but would result in a major reduction of local real property tax revenue for the District if globally applied.

*The Chief Financial Officer's legislative fiscal analysis is prepared by the Special Projects and Fiscal Analysis Administration in the Office of Research and Analysis. Contact us at 441 4<sup>th</sup> Street, NW, Suite 400S, Washington D.C., 20001 or view our work on-line at <http://cfo.dc.gov>.*